Second Meeting of the Forest Carbon Workgroup
June 17, 2010
Department of Ecology Headquarters, Lacey, Washington

Meeting Summary

Meeting Participants:

Stephen Bernath, Department of Ecology (Co-Chair)

Craig Partridge, Department of Natural Resources (Co-Chair)

Miguel Perez-Gibson, (on behalf of Becky Kelley, Washington Environmental Council) (via phone)

Adrian Miller, Washington Forest Protection Association

Theresa Loo, (on behalf of Court Stanley, Port Blakely Tree Farms)

Denise Pranger, Northwest Natural Resource Group

Dan Stonington, Cascade Land Conservancy

Anthony Chavez, Weyerhaeuser

Heather Ballash, Department of Commerce (via phone)

Lyle Almond, Makah Tribe

Brian Kernohan, Forest Capital Partners

Paula Swedeen, Pacific Forest Trust

Bill Robinson (on behalf of Cathy Baker, The Nature Conservancy)

Professor Henry McGee, Futurewise

Brynn Brady, Pierce County (via phone)

John Henrikson (on behalf of Sherry Fox, American Tree Farm and Steve Stinson, Family Forest Foundation and Washington Farm Forestry Association)

Observers:

Justin Brant, Department of Ecology (via phone)

Eli Levitt, Department of Ecology

Jim Peters, Northwest Indian Fisheries Commission

Facilitation Support:

Jerry Boese, Ross & Associates Environmental Consulting, Ltd.

Eirin Krane Peterfreund, Ross & Associates Environmental Consulting, Ltd.

Convene, Welcome & Introductions

Jerry Boese, the group facilitator, convened the meeting and reviewed the agenda[1] and materials sent prior to the meeting. Co-Chair Craig Partridge noted that much of the substantive work undertaken by this Workgroup will be done in the sub-groups, and one of the main goals for this meeting, in addition to approving the Charter, is launching the subgroups.

Workgroup Charter

Jerry Boese walked through the revised Workgroup Charter[2], noting that the proposed revisions are based on discussions at the last Workgroup meeting and are all found in Section III, "Scope of the Group's Work." In particular, the third bullet was revised based on concern that the original language focused solely on the Climate Action Reserve protocol.

The following comments were offered by Workgroup members:

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[1] Available at: http://www.ecy.wa.gov/climatechange/docs/forestcarbon_20100617_agenda.pdf
[2] Available at: http://www.ecy.wa.gov/climatechange/docs/forestcarbon_20100617_charterrev.pdf

- Tim Boyd noted that the first bullet under Scope of the Group's Work adequately captures the concept of forest health from his perspective.
- Anthony Chavez stated that the language in the third bullet should not be about *potential* desirability, but should be more definitive to be consistent with the tone of the other bullets.
- Miguel Perez-Gibson remarked that the revised bullet talks about *using* the protocols rather than making *refinements* or *changes* to the protocols. It may not be a good use of our limited time to become another forum to discuss the protocols being used by existing registries.
- Adrian Miller noted that the existing protocols do not work for most of his membership, but as long as the Workgroup can reach consensus on several points it may get us closer to expanding opportunities for working forests. Adrian does not want to re-debate the baseline, but he urged the Workgroup to consider exploring opportunities to increase access to the existing markets for offsets.

Paula Swedeen asked about the decision-making context and what will be done with the recommendations after the Workgroup develops them. Co-Chairs Craig Partridge and Stephen Bernath responded that the agencies are not pre-programmed to take the group's results to any particular venue, other than the incentive recommendations that will go into DNR's HB2541 process, and the Workgroup's outcome will be reported back to the Governor's office. From an agency perspective, the Co-Chairs are willing to look at the wishes of the Workgroup to help determine where and when to take the recommendations of the group to the right decision-makers. Stephen Bernath added that there are a number of places that can use the information the Workgroup will provide, but there is not a specific legislative direction for the Workgroup. The question about where we go with group work is for the Workgroup to decide.

Approval of the revised Charter was deferred due to the issues raised by Workgroup members and agenda time constraints.

Jerry Boese clarified that the schedule contained in the charter anticipates an *interim* report of the Workgroup by the end of September; the charter anticipates the Workgroup will continue work at least to December. The executive order is being amended to reflect this revised timeframe.

Presentation from Climate Action Reserve

Jerry Boese welcomed Gary Gero, President of the Climate Action Reserve (CAR), via telephone. Gary gave an informational presentation[3] on the background of CAR itself and about CAR's forest protocol. CAR's Forest Project Protocol[4] provides requirements and guidance for quantifying the net climate benefits of activities (currently including: improved forest management, reforestation, and avoided conversion) that sequester carbon on forest land.

The following questions and answers occurred during Gary's presentation:
- Adrian Miler asked if projects start <u>below</u> the baseline, is the credit discounted until the project reaches FIA[5] stocking levels. Gary responded that CAR does not discount credits in this situation because they feel it would discourage projects.
- CAR defines public lands as local, special districts, county, state, tribal, and federal, though there is currently a preclusion on participation by federal land.

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[3] Available at: http://www.ecy.wa.gov/climatechange/docs/forestcarbon_20100617_presentation_gero.pdf

[4] Available at: http://www.climateactionreserve.org/how/protocols/adopted/forest/development/

[5] FIA refers to the US Forest Service's Forest Inventory and Analysis national program. http://fia.fs.fed.us/

- Hank McGee asked about the market for carbon offsets. A carbon offset credit is worth one metric ton of carbon dioxide equivalent. The equivalency is calculated according to the CAR protocols and each ton of carbon dioxide is serialized in a registry. The credits are largely used as pre-compliance credits and sell for about $5-7 per ton on the New York Mercantile Exchange and on the secondary market. The reason that companies want to purchase carbon offset credits is often because they are hedging future compliance risks or they want to make carbon neutral claims about a product or their company. There is also a small personal market for offsets for people that want to offset a plane trip, for example.
- Anthony Chavez asked if the California Environmental Quality Act (CEQA) allows people to use offsets. Gary replied that under CEQA, the lead agency can determine what can be used for compliance. Several California agencies have proposed allowing CAR credits to be used for mitigation.
- Denise Pranger asked, within the context of small forest landowner aggregation, how small forest landowners would be able to meet long term sustainability requirements without certifications. Adrian Miller responded that there is a regulation requirement for small forest landowners to do sustained yield planning. There is a modeling exercise landowners can use with current stocking, which may be another option to the certification issue.
- Theresa Loo asked if projects are eligible for 100 years, does that mean that landowners are locked into CAR for a minimum of 100 years. Gary responded that landowners can generate offsets for the first 10-20 years and then maintain them for 100 years after that point. The landowner would still have some obligations, but would not have to generate credits.
- Miguel Perez-Gibson inquired if there are other registries that also register projects with different protocol standards and if, across the registry system, there is some validity to how carbon is being measured. Gary replied that there are other projects in the US and around the world, the largest being the United Nations-operated registry under the Kyoto Protocol. On a voluntary and pre-compliance basis, there are several registries in the US: Chicago Climate Exchange, American Carbon Registry, and the Voluntary Carbon Standard. CAR distinguishes itself from the other registries because it is based on regulatory standards, uses standardized performance-based protocols, and is the largest in number of projects. CAR verifies that any given project is not registered in any other registries. CAR has issued 5.3 million credits and anticipates that it will issue an additional 8 million credits next year. Forestry makes up about one third of the total credits issued to date.
- Co-Chair Craig Partridge asked Gary to address the issue of CAR's aspiration to have a nationwide presence, yet the project numbers seem limited outside California, and the protocol was developed by a California-centric workgroup. Gary replied that all of CAR's protocols are works in progress, but there are regional distinctions and variations that are reflected in the protocols. CAR does not want to support 50 different versions of a protocol, but to the extent that there are regional variations that can be accommodated, CAR wants to understand what these are. In anything CAR does, it has to ensure there is equity across the regions.
- Brian Kernohan asked of the projects outside of California, what percentage are reforestation, avoided conversion, and forest management. Gary estimated that the majority of the projects are improved forest management projects; approximately 75%. Reforestation and avoidance constitute the remaining 25%. CAR has not had a chance to analyze what fraction of their projects are in working forest with ongoing harvesting versus those in a conservation forest.
- Dan Stonington asked Gary for a sketch of the projects in Washington State. Paula Swedeen replied that the Pacific Forest Trust just listed a working forest project in Oregon. There is also an Ecotrust project on the Olympic Peninsula that is in a working forest.

- Denise Pranger asked about the extent to which the Workgroup could influence CAR's protocol. Gary replied that CAR is always open to suggestion on how to improve its protocols, but at this point they are not looking at a wholesale revision. Gary mentioned several white papers commissioned by CAR that may lead to revisions to the protocol. If the Workgroup comes up with recommendations for improvement, Gary is happy to bring them to the CAR Board.
- Denise Pranger noted that Gary's slides mentioned the small forest landowner aggregation process and added that there is a debate on whether it is possible for very small forest landowners to participate (3,000 acres is the minimum to participate even under aggregation). Gary acknowledged there are transaction costs to engaging in projects and it may not be worth it for small forest landowners. CAR is proposing to streamline some of the costs in the first phase of the small landowner changes.
- Denise also asked if CAR encountered any stumbling blocks with the Project Implementation Agreement (PIA). Gary said the PIA is admittedly a difficult agreement, but CAR wanted to have a standard agreement so all projects would be held to the same requirements, rather than individually-negotiated agreements.
- Henry McGee asked if there are any projects in Alaska. Gary responded that CAR is interested in having projects in Alaska; to date there was one project submittal from Alaska, but it did not meet the eligibility requirements.

Workgroup members thanked Gary for making himself available to present the CAR forest protocol.

Overview of Proposed Federal Climate Legislation and the Western Climate Initiative

Workgroup members received an informational presentation[6] from Eli Levitt on the Western Climate Initiative's (WCI) current activities and the House and Senate climate bills. Both Waxman-Markey (House) and Kerry-Lieberman (Senate) would create a significant role for the US Department of Agriculture. One of the main differences between the two bills is their differing formulas for offsets. The Senate bill is more prorated, meaning the larger emitters can use more offsets to meet compliance regulations. The bills also have differing windows of eligibility for achieving, and taking credit for, carbon sequestration.

WCI recently released draft recommendations on core criteria and priority areas. WCI has also been investigating the different protocols and released the WCI "Offset Protocol Review Report" in April. CAR's forestry protocol compared well against other forest protocols. The Protocol Report and other WCI materials are available on WCI's website.

Anthony Chavez asked if WCI will adopt CAR's protocol for forest projects or use it as a baseline and make tweaks. In addition, Anthony asked if WCI spoke to CAR about making it the WCI registry. Eli responded that WCI will not be using CAR as the WCI registry. WCI is still figuring out what to do about offsets. The current thinking is that WCI will work with the protocols that scored well in the assessment and possibly make some amendments.

Paula Swedeen asked whether, now that CAR is being considered as one potential protocol, could other protocols apply or will WCI just select one. Eli responded that again there are two schools of thought. One option is to take the protocols that scored well and amend them or take components of different protocols and define a minimum to meet the regulatory standards. WCI will determine their work plan within the next month.

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[6] Available at: http://www.ecy.wa.gov/climatechange/docs/forestcarbon_20100617_presentation_levitt.pdf

Lyle Almond asked of the five protocols on the WCI website, which scored well. Eli replied that the results of the evaluation of forest protocols can be found on a color-coded table on page 7 of the April report as well as in the text of the report.

Bill Robinson asked what leverage WCI will use to get groups to respond and if WCI does not select a registry as a preferred choice how will that affect its impact. Eli stated that WCI is not as worried about what it says about the registries. For protocols, WCI is thinking that it will invite the protocol authors to help make amendments to the protocols; none of the protocols met all of WCI's needs. Co-Chair Stephen Bernath noted that if the Workgroup decides to tackle protocols, WCI could help us identify where there is likely work to be done and where we might influence any potential changes. Eli replied that WCI's Protocol report gives an indication of where protocols need amendments. Eli can take the Workgroup's viewpoints on the forestry protocols to the WCI for consideration.

Co-Chair Craig Partridge inquired if the WCI criteria include a need for co-benefits. Eli responded that co-benefits are addressed in the draft recommendations on criteria ("Offset System Essential Elements Draft Recommendations Paper"), but in short, the proposed WCI criteria do not require co-benefits. WCI's final recommendations will be incorporated into the detailed program design document coming out in mid July. Workgroup members can contact Eli or Justin Brant if they have any questions about WCI.

Discussion of Subgroups

Jerry Boese reiterated that most of the work done in the Workgroup will be done in the subgroups, similar to the 2008 workgroup. It is very likely that some of the topics will crossover among the various subgroups; this is not expected to be a problem. Subgroups are a little less formal than the Workgroup. Once subgroups are established, Jerry and the Co-Chairs will schedule an organizational call for each group. Suggested topics will be circulated as a starting point and the subgroup members will discuss the topics and prioritize them. Future subgroup meetings can be conference calls, web-enabled conference calls, or in-person meetings. There will always be a call-in option for those unable to attend in person. One or both of the Co-Chairs will be at every subgroup meeting.

Following a brief discussion, **the Workgroup members agreed to launch two of the proposed subgroups:** *Avoided Conversion* **and** *Incentives* **subgroups.**

Jerry reviewed the list of Workgroup members suggested for the **Avoided Conversion subgroup** and Workgroup members discussed the assignments. Miguel Perez-Gibson stated that he will not have time to be on both the Avoided Conversion and Incentives subgroups. Denise Pranger noted that there are no small forest landowners on the Avoided Conversion subgroup. John Henrikson will check and see if he can find someone to participate on the subgroup. The revised list of Workgroup members on the Avoided Conversion subgroup include:
- Stephen Bernath
- Craig Partridge
- Brynn Brady
- Heather Ballash
- Dan Stonington
- KC Golden or designee

- Henry McGee
- Adrian Miller
- Court Stanley (Tim Boyd alt.)
- Brian Kernohan

Jerry then reviewed the list of Workgroup members suggested for the **Incentives subgroup**. No additions or deletions were made pending Miguel Perez-Gibson's decision on which subgroup he wants to be on. Co-Chair Stephen Bernath added that all Workgroup members can be added to the email distribution lists for subgroups that they are not on.

Protocols subgroup. Workgroup members discussed whether or not they wanted to create a subgroup to examine protocols and registries. Adrian Miller stated his intent is not to get into the fundamental features of offsets such as baseline, additionality, permanence, and leakage, but it would be worthwhile for a subgroup to examine certain barriers to entry (e.g., clearcut size, and broadcast fertilization) that have been identified in the CAR protocol. Brian Kernohan added that if the Workgroup takes on something that is limited in scope and delivers something that is not definitive, but more informative from the Workgroup's perspective, it may be a good thing. Anthony Chavez commented that the protocol work dovetails nicely with what WCI is doing and allows Washington to have an influence on the discussions going forward.

Paula Swedeen noted that the CAR forest protocols are not perfect and there are some things Pacific Forest Trust would like to see changed. Adrian agreed that if his topics are discussed, other's could be as well. Paula said the discussion of whether or not to have a protocol subgroup also gets back to the question of the scope of the Workgroup and what will be done with the Workgroup's recommendations. Co-Chair Craig Partridge stated that the way the Workgroup frames its recommendations will determine how they are used.

Tim Boyd stated that if the Workgroup decides to launch a protocol subgroup, his hope is that that the Workgroup can agree we are beyond any generalized opposition to offsets. Anthony Chavez commented that one of the benefits of looking at offsets is knowing that with SEPA there is some value in offsets outside of the cap & trade context. Brian Kernohan added that there may also be a voluntary niche offset market and it would make sense for Washington to think about what it can do to allow access to that market. Paula Swedeen observed that some groups continue to have concerns with offsets as constructs. There is a lot of support for forest sequestration and paying owners for the valuable services provided by forests. Much of the incentives discussion may be about finding things other than offsets that can be incentives for owners.

Workgroup members voted and decided to create a *Protocol* subgroup. Jerry Boese will speak to Miguel Perez-Gibson to document his concerns about establishing a Protocol subgroup. The following Workgroup members volunteered to be on the Protocol subgroup:
- Stephen Bernath
- Craig Partridge
- Lyle Almond
- Anthony Chavez
- Brian Kernohan
- Court Stanley
- Paula Swedeen
- Adrian Miller
- Cathy Baker (volunteered by Bill Robinson)

Craig Partridge said the co-chairs will adjust the charter language per the subgroup discussion and noted that today's conversation regarding sideboards on the protocol discussion will be captured so all the Workgroup members know what to expect from the subgroup work.

Next steps
Jerry said Workgroup members should expect to receive scheduling polls for kick-off conference calls of the three subgroups, as well as a scheduling poll for the next full Workgroup meeting to occur in about six weeks.

Craig also asked subgroup members to think about what information they might want to help them as they begin more detailed discussions on the subgroup topics. Jerry added that many Workgroup members are experts on key topics, and may have information that could be usefully shared with the subgroups or full Workgroup.

Public Comment

There were no comments from the public.

[The meeting adjourned at 4:17 pm]